

Message Text

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ACTION COME-00

INFO OCT-01 EA-11 ISO-00 MC-02 NSC-07 NSCE-00 CIAE-00

DODE-00 INR-11 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01

SP-03 EB-11 TRSE-00 SS-20 DRC-01 /088 W

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FM USLO PEKING

TO SECSTATE WASHDC 2265

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 1420

E.O. 11652: GDS

TAGS: BPRO BFOL ETRD ESTCH CH

SUBJECT: COMPUTER AND BUSINESS EQUIPMENT MANUFACTURERS
ASSOCIATION (CBEMA): PROPOSAL TO THE PRC

REF: STATE 178752

1. WHILE WE ARE FAVORABLY IMPRESSED WITH THE PROPOSALS
DRAWN UP BY CBEMA, WE DO NOT BELIEVE IT WOULD BE APPROPRIATE
TO DISCUSS THEM WITH PRC OFFICIALS AT THIS TIME.
FOR ONE THING, THERE CURRENTLY ARE AT LEAST TWO POTENTIAL
COMPUTER SALES, BY THE GEOSPACE CORPORATION (STATE 159756)
AND CONTROL DATA CORPORATION (FRANCE) (PEKING 1384), WHICH
MAY CONCEIVABLY FALL THROUGH DUE TO CHINESE RELUCTANCE
TO COMPLY WITH USG EXPORT CONTROL REQUIREMENTS. IBM HAS
ALSO HAD SUCH DIFFICULTIES WITH THE CHINESE (PEKING 459)
AND WHILE WE ARE NOT INFORMED AS TO DETAILS, THIS MAY
HAVE BEEN A FACTOR IN IBM'S RECENT LOSS OF THE SALE OF
TWO COMPUTERS FOR THE BANK OF CHINA. NO MATTER HOW
CAREFULLY PHRASED, THE CHINESE MIGHT REGARD USLO
APPROACH AS IMPLYING USG INVOLVEMENT WITH CBEMA, AND
MIGHT GET THE ERRONEOUS IMPRESSION OF A MORE RELAXED USG
ATTITUDE TOWARD PRC COMPLIANCE WITH END-USE AND OTHER
RELATED REQUIREMENTS.

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2. IT IS ALSO VERY UNLIKELY THAT ANY USG SUPPORT FOR THE

CBEMA PROPOSAL WOULD AT PRESENT HAVE ANY POSITIVE EFFECT. THE CHINESE, IT SEEMS TO US, HAVE MADE IT CLEAR THAT THEY ARE NOT INTERESTED IN NORMAL EXCHANGES OF TRADE MISSIONS AND DELEGATIONS UNTIL THERE IS FURTHER PROGRESS ON THE POLITICAL FRONT. IN ADDITION TO THE POSTPONEMENT OF THE PREVIOUSLY PLANNED VISIT TO THE US OF A CCPIT DELEGATION, THEY HAVE POLITELY PUT OFF VARIOUS PROPOSALS FOR EXCHANGES OF DELEGATIONS MADE BY NUMEROUS AMERICAN ORGANIZATIONS SUCH AS THE NATIONAL MACHINE TOOL BUILDERS' ASSOCIATION, ELECTRONIC INDUSTRIES ASSOCIATION, COTTON COUNCIL INTERNATIONAL AND THE AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS. WE BELIEVE THAT MANY SUCH PROPOSALS, ESPECIALLY THOSE BY THE AFOREMENTIONED ORGANIZATIONS, ARE POTENTIALLY WORTHWHILE AND THAT AT SOME APPROPRIATE TIME USLO SHOULD TAKE AN ACTIVE ROLE IN PROMOTING THEM TO THE CHINESE. THIS DOES NOT APPEAR TO BE THAT TIME, HOWEVER, IN VIEW OF THE CURRENT CHINESE ATTITUDE. IN ANY CASE, WE DO NOT THINK WE SHOULD TALK TO THE CHINESE ABOUT THE CBEMA PROPOSAL UNLESS THE USG IS ALSO READY TO INTERVENE ON BEHALF OF THESE OTHER ORGANIZATIONS (SOME OF WHICH IN OUR OPINION HAVE GREATER COMMERCIAL POTENTIAL).

3. IF THE DEPARTMENT STILL WISHES US TO RAISE THE CBEMA IDEA WITH THE CHINESE, WE WOULD APPRECIATE FURTHER INSTRUCTIONS, INCLUDING GUIDANCE ON HOW TO HANDLE THE EXPORT CONTROL ASPECTS OF THE MATTER.
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